

# newsquawk

## US Market Wrap - 3rd June 2026

### Stocks & Bonds sold, with oil bid as US/Iran tensions continue to boil

- **SNAPSHOT:** Equities down, Treasuries down, Crude up, Dollar up, Gold down.
- **REAR VIEW:** US/Iran trade retaliatory strikes; Kuwait international airport struck, with both US & Iran blaming each other; Iran FM said no established method for US/Iran negotiations now; Trump said working on a deal with Iran; US ADP tops expectations; Strong headline US ISM Services PMI report, although prices remained elevated; Barr said policy in good place; Williams noted no obvious argument to alter interest rates currently; MRVL gains continue.
- **COMING UP: Data:** Australian Balance of Trade (Apr), Swedish CPI (May), Swiss CPI (May), EU Retail Sales (Apr), US Challenger Layoffs (May), Jobless Claims (May/30), Revelio PLS (May), Chicago Fed Labor Market Indicators Final (May)  
**Speakers:** RBA's Bullock; ECB's Lagarde; Fed's Daly, Bowman, Barkin; BoE's Bailey **Supply:** Spain, France **Earnings:** Docusign, lululemon, Ciena.

### MARKET WRAP

It was a geopolitical risk-off session on Wednesday, with equities lower across the board, although the Nasdaq outperformed and closed down just 0.2% versus a 1.4% decline in the Russell 2000. Sector performance was mixed, with Energy and Health Care outperforming, while Consumer Discretionary, Financials and Technology lagged.

Energy stocks benefited from higher crude prices after the US and Iran exchanged attacks overnight, with the US striking Iran's Qeshm Island and Iran targeting US military bases in the Middle East. Oil prices briefly pared gains after President Trump said the US is working on a deal with Iran and that Tehran had agreed not to pursue nuclear weapons. However, Iranian media pushed back on those claims, while Iran's Foreign Minister later said communication channels remain open but that no meaningful progress has been made in negotiations. The comments helped support crude into settlement. Geopolitical tensions remained elevated after Iran claimed it had struck a US Navy command centre in the Gulf of Oman, although the report was denied by US CENTCOM.

On the data front, ISM Services PMI surprised to the upside, while the employment component remained subdued and prices stayed elevated. Fed speakers Williams and Barr both reiterated that policy is in a good place, while the Fed's Beige Book described labour market conditions as broadly stable but noted ongoing price pressures across most districts.

Cross-asset price action continued to be dictated by geopolitics and energy markets. Crude settled firmly in the green, while the Dollar outperformed against most major peers. In FX, the Yen was a relative outperformer, although USD/JPY still reclaimed the 160 handle despite renewed jawboning from Japanese officials. The New Zealand and Australian Dollars lagged amid the risk-off tone, with the Kiwi additionally pressured by softer trade data overnight.

Gold and silver both declined as higher oil prices boosted inflation expectations and reinforced the prospect of potentially more restrictive Fed policy.

Looking ahead, attention turns to Friday's US nonfarm payrolls report following the stronger-than-expected ADP employment data for May.

### US

**ISM SERVICES PMI:** The headline ISM Services PMI for May rose to 54.5 from 53.6, above the 53.7 forecast. The upside was supported by rising business activity, to 57.7 from 55.9, while new orders picked up to 57.3 from 53.5. Meanwhile, Prices remained elevated at 71.3, accelerating from the prior 70.7, while employment was little changed at 47.9 (prev. 48.0). Service-sector respondents largely pointed to rising inflationary pressures, driven by higher fuel and energy costs stemming from Middle East tensions, as well as tariff-related cost increases. Businesses reported suppliers increasingly passing through higher transportation, freight and raw material costs, while some sectors are beginning to experience supply constraints and delivery delays, particularly in construction materials, technology products and energy-related supply chains. Despite these cost pressures, underlying demand remains generally resilient. Healthcare providers reported strong patient volumes, utilities continue to see robust demand, and data centre-related investment is supporting activity in power generation and industrial supply chains. However, respondents remain cautious on the outlook as elevated fuel costs, labour shortages, supply continuity concerns and broader macroeconomic uncertainty continue to weigh on planning, margins and capital spending decisions.

**ADP:** ADP national employment for May rose to 122k from 109k, also above the expected 110k. Within the release, the wage metrics show job-stayers remained at 4.4%, while job-changes printed 6.5% from 6.6%. ADP Chief Economist Richardson said, "Hiring was more broad-based in May than we've seen in the last few years. The labour market continues to show sustained momentum going into the summer hiring season." The ADP print comes ahead of US NFP metric on Friday, whereby Pantheon Macroeconomics continue to look for a 50k increase, given that payrolls overshoot their trend in April, mostly due to unusually warm weather. Pantheon adds, all told, evidence that the labour market is regaining momentum remains unconvincing.

**WILLIAMS (voter):** There is no obvious argument to alter interest rates currently, and monetary policy is in the correct place, and no need to move on rates. On inflation, it is up, "quite a bit", and anticipates it peaking in the next few months, while the upside risks have increased. The NY Fed President described the job market as "healthy", and that the market has stabilised.

**BARR (Voter):** Current policy is in a good place and likely to stay there for some time.

## FIXED INCOME

### T-NOTE FUTURES (U6) SETTLED 8 TICKS LOWER AT 109-14+

**Yields rise across the curve as Treasury trade continues to be dictated by energy markets, with data taking a back seat**. 2-year +3.7bps at 4.082%, 3-year +4.0bps at 4.132%, 5-year +4.1bps at 4.213%, 7-year +4.1bps at 4.347%, 10-year +3.6bps at 4.489%, 20-year +3.3bps at 4.995%, 30-year +2.7bps at 4.991%.

**THE DAY:** T-notes were lower on Wednesday as higher oil prices weighed on fixed income, with yields rising around 3-4bps across the curve. The move higher in crude began overnight after the US and Iran exchanged attacks, with the US striking Qeshm Island while Iran targeted US bases in the Middle East.

Oil prices briefly pared after President Trump said the US is working on a deal with Iran and that Tehran had agreed not to pursue nuclear weapons. However, Iranian media pushed back on the remarks. Later in the session, Iran's Foreign Minister said communication channels with the US remain open but acknowledged there had been little recent progress in negotiations, helping crude prices move back towards earlier highs.

Treasuries remained under pressure throughout the session, although T-notes settled off the lows. Aside from swings in crude and ongoing geopolitical developments, the ISM Services PMI report surprised to the upside, while prices remained elevated and employment was little changed. However, once again, Treasury price action was driven far more by geopolitics and energy markets than by economic data.

Fed commentary broadly reinforced the current policy stance. Barr said policy is in a good place and is likely to remain there for some time, while Williams said there is no obvious case to adjust rates at present, describing policy as appropriately positioned. Williams characterised the labour market as healthy but acknowledged inflation remains elevated. The comments broadly echoed the Fed's Beige Book, which noted little to no change in employment across most districts while price pressures continued to rise at a moderate-to-strong pace, with most districts reporting firmer inflation than in the prior survey.

### STIRS/OPERATIONS

- **Fed Pricing: Dec 20.2bps (prev. 17.5bps)**
- EFR at 3.62% (prev. 3.62%), volumes at USD 133bln (prev. USD 123bln) on June 2nd
- SOFR at 3.63% (prev. 3.65%), volumes at USD 3.148tln (prev. USD 3.224tln) on June 2nd
- NY Fed RRP op demand at 2.06bln (prev. 2.50bln) across 35 counterparties (prev. 32) on June 3rd
- Treasury Buyback [Liquidity support, 20-30year, max USD 2bln]: Accepts USD 2bln of USD 21.26bln offered; Offer to cover 10.63x

## CRUDE

### WTI (N6) SETTLED USD 2.25 HIGHER AT 96.02/BBL; BRENT (Q6) SETTLED USD 1.81 HIGHER AT 97.81/BBL

**The crude complex was firmer on Wednesday, and traded within choppy ranges as US/Iran updates headlines dominated flow.** Overall, oil saw strength, and was ultimately buoyed, amid another flare-up and retaliatory strikes between the US and Iran. A bout of strength was seen as European traders entered for the day and as Kuwait's airport was struck by a missile, something IRGC spokesperson has recently claimed was caused by an error in American Patriot systems attempting to intercept an Iranian missile. After WTI and Brent grinded to session highs, benchmarks reversed as Trump said they are working on a deal with Iran, and have agreed they will not have a nuclear weapon. Thereafter, US/Iran headlines were plentiful, but nothing too new was reported as participants await the next escalation or de-escalation. In most recent trade, Iran Foreign Minister spoke to Lebanese press, and gave extensive remarks; in summary, Iran/US are studying the texts that were exchanged, and there is no established method for negotiations now, but messages are being exchanged with the Americans, albeit no progress has been made. Araghchi added that its armed forces are ready to strike Israel if it attacks Beirut.

Away from US/Iran, the weekly EIA data saw a deeper than expected draw in crude, in-fitting with the private inventory metrics. Distillates and Gasoline saw larger-than-anticipated builds. Overall, weekly crude production fell 8k W/W to 13.707mln.

WTI traded between USD 93.45-97.00/bbl and Brent USD 96.44-98.99/bbl. Ahead, aside from geopolitics, participants await US payrolls on Friday.

## EQUITIES

**CLOSES:** SPX -0.71% at 7,556, NDX -0.29% at 30,571, DJI -1.21% at 50,688, RUT -1.31% at 2,894.

**SECTORS:** Energy +1.42%, Consumer Staples +0.78%, Health +0.76%, Materials +0.24%, Real Estate +0.09%, Industrials -0.10%, Communication Services -0.17%, Utilities -0.53%, Consumer Discretionary -1.07%, Financials -1.21%, Technology -1.52%.

**EUROPEAN CLOSES:** Euro Stoxx 50 -0.93% at 6,051, Dax 40 -1.24% at 24,812, FTSE 100 -0.40% at 10,332, CAC 40 -0.71% at 8,150, FTSE MIB -1.07% at 50,038, IBEX 35 -0.53% at 18,176, PSI +0.46% at 8,999, SMI -0.66% at 13,218, AEX -0.49% at 1,044.

### STOCK SPECIFICS:

- **Palo Alto (PANW):** Shares gave up gains of c. 10% in extended trading after strong Q report & guidance.
- **Gitlab (GTLB):** Next Q profit view disappointed but raised FY outlook.

- **Macy's (M)**: EPS & profit beat alongside raising FY midpoint guidance.
- **Medtronic (MDT)**: Top & bottom line surpassed exp.
- **Intel (INTC)**: Said progress to date could allow it to pull in some FY27 margin targets.
- **Marvell (MRVL)**: Continues to gains (+32.5% gains on Tues.) after Nvidia CEO Huang's \$1tn Co. comments.
- **Yum Brands (YUM)**: Upgraded at MS.
- **AT&T (T)**: Downgraded at Oppenheimer
- Swiss Co. Partners Group caps withdrawal from a PE fund due to rising redemption pressure. Of note for **Blackstone (BX)**, **KKR (KKR)**, **Blue Owl (OWL)**.
- **Alphabet (GOOGL)**: Reaffirms FY26 capex of USD 180–190bln; expects FY27 capex to increase significantly vs 2026; says AI demand remains “meaningfully exceeding available supply”. In other news, Alphabet equity sale said to end multiple times oversubscribed.

## FX

**The Dollar** saw gains against peers as it benefitted from the risk-off sentiment given retaliatory attacks seen from US and Iran in overnight trade. The most recent update, via Iranian Foreign Minister Araghchi was that there is no established method for negotiations now, between US/Iran, but messages are being exchanged, although no progress has been made. Although, he did add Iran and the Americans are studying the texts that were exchanged and working on a final draft. Elsewhere, ISM Services impressed on the headline, although prices did tick higher, while ADP, ahead of US NFP on Friday, printed 122k (exp. 110k, prev. 109k). On the Fed, Barr (Voter) said current policy is in a good place and likely to stay there for some time, while the influential NY Fed President Williams said monetary policy is in the correct place and there is no need to move on rates.

**G10 FX** was lower across the board, and weighed on by the rising Buck due to the aforementioned risk-off trade. Kiwi lagged, and probably not the main reason, NZ trade data was dismal overnight and fell much more than expected, and dropped significantly from the prior quarter. Its Antipodean counterpart was the next worst performer, albeit on little currency-specific newsflow, as again, overnight Australian GDP Growth disappointed. Although, Australian S&P Global Services PMI Final for May printed 48.7, marginally topping the expected 47.7.

**EUR, GBP, CAD, and CHF** all saw losses to varying degrees, while the **Yen** was the 'relative' outperformer. USD/JPY hit a peak of 160.06, breaching the eagerly watched round 160 'touted intervention level'. There was plenty of jawboning overnight as Japanese PM Takaichi said she is prepared to take appropriate measures in the FX market at any time if needed, and that Japan is to deepen international cooperation, including with the US on FX. Moreover, BoJ Governor Ueda remarked that the BoJ's basic stance is to continue raising the policy rate in accordance with economic, price, and financial developments. Ueda added that there are no signs that past rate hikes are curbing corporate fund demand, and that the upside risks to prices appear to be greater overall and are likely to emerge sooner.

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